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SUBJECT: UNDER SECRETARY SHINER,S APRIL 3, 2006
CONVERSATION WITH JAPANESE MOFA DEPUTY MINISTER YABUNAKA

Classified By: EAP/J:WIAlbright, Act'g Dir. Reason 1.4.(d)

11. (U) Classified by: Wendell Albright, Acting Director,
EAP/J, Department of State. Reason 1.4.(d)

12. (U) April 3, 2006; 4:00 P.M.; Washington.

13. (U) Participants:

U.S.
Under Secretary Shiner
Louis Bono, Special Assistant, E
Wendell Albright, Acting Deputy Director, EAP/J
Robert Winship, EAP/J (Notetaker)

JAPAN
Mitoji Yabunaka, Deputy Minister for Economic Affairs,
Ministry of Foreign Affairs (MOFA)
Junichiro Ihara, Economic Minister, Embassy of Japan
Koichi Mizushima, Director, 2nd N. American Division, MOFA
Takeshi Akahori, Economic Counselor, Embassy of Japan

14. (C) SUMMARY. Under Secretary Shiner met with Japan's
Deputy Foreign Minister for Economic Affairs Mitoji Yabunaka
April 3 for an extended discussion. Yabunaka proposed making
an announcement on a new economic dialogue during the
upcoming visit of PM Koizumi, and he and Shiner agreed to
another meeting in Washington in May for further discussion.
They also agreed to look for an opportunity to hold another
Strategic Development Alliance meeting. While recognizing
that beef needs to be resolved &as soon as possible,8
Yabunaka cautioned that the issue should not be seen as
driven by PM Koizumi,s visit. Noting Japan may pursue an
FTA as part of broader efforts to improve relations with
India, Yabunaka noted that Japan is seeking to clarify
proposed U.S.-India civil nuclear cooperation and asked to
coordinate on how to address export control issues raised by
this deal. Discussion also touched on energy security, G-8
outreach, preparations for the visit of Chinese President Hu,
and civil aviation. END SUMMARY.

New Economic Framework

15. (C) Yabunaka reiterated GOJ ideas for reinvigorating the
bilateral economic framework (three-tiered structure, better
focused on key issues like IPR and energy). Though premature
to discuss a Free Trade Agreement, he felt it was important
to demonstrate the depth of the relationship. Some
activities should be continued, including the regulatory
reform dialogue and the Strategic Development Alliance (SDA).
There might not be specific outputs, but the dialogue needed
to be better focused. Contrary to what we had heard earlier

from GOJ officials, Yabunaka said he wanted to agree to something that could be announced when Koizumi comes to Washington in late June, even if only a commitment to consult on bilateral and regional issues, rather than wait for a new Prime Minister. He offered to return in May to consult informally with Shiner and Deputy NSA Shirzad (who was in Seattle during this visit) to prepare for Koizumi's visit. Yabunaka suggested IPR cooperation in China as an issue for in-depth consultations, although he noted that the GOJ was still considering its views on the U.S.-proposed WTO cases. If an announcement were made during Koizumi's visit, the first formal meeting under the new initiative could take place during the summer or in September.

16. (C) Shiner agreed to consider further discussion in May on whether a June announcement would be appropriate, noting USG thinking on revising the economic dialogue was similar in focusing on a strategic framework rather than specific outputs. In addition to the issues flagged by Yabunaka, she suggested global economic stability and regional organizations. However, she said that undertaking a major initiative before the beef issue is resolved would not be possible. In reconfirming that he wanted to start before the change in government leadership, Yabunaka said he anticipated strong policy continuity in the new leadership.

Sustainable Development Alliance

17. (SBU) Yabunaka thought the policy cooperation begun in the SDA might usefully be expanded to other areas. Shiner suggested continuing to look at the current countries (Indonesia and Pakistan), rather than adding more at this time, but to shift the dialogue to include cross-cutting issues, such as shared approaches to development, best practices/measures of effectiveness, infectious diseases and preparedness. She noted that the U.S. was seeing a gap between humanitarian or disaster relief on one hand and reconstruction, stabilization and long-term development on the other. They agreed to look for an opportunity to do another SDA meeting.

Beef

18. (SBU) Yabunaka said the USDA visit during the last week of March had been productive and much appreciated. He stressed the need to regain the confidence of Japanese consumers and reestablish the credibility of the system we jointly constructed and thought the meetings last week gave a good idea where we are heading. Yabunaka said he thought one more meeting would be necessary, stressed the Food Safety Commission would not be involved, and noted the risk communication efforts that the GOJ is undertaking in mid-April. He recognized that beef needed to be resolved as soon as possible but cautioned that this should not be perceived as driven by PM Koizumi's visit. Under Secretary Shiner said this is a critical issue; the key is to have transparent procedures in place.

India

19. (C) Yabunaka raised three issues with respect to the President's recent trip to India: the U.S. - India bilateral relationship, the civilian nuclear deal, and policy on export controls. Bilaterally, Yabunaka said Japan is enthusiastic about trying to improve relations with India and is studying how to advance the economic partnership, with a report due in June before a likely visit by PM Singh. He felt the study group was likely to recommend an FTA, although this would be difficult; their annual trade is only \$6 billion, 1/30th of Japan's trade with China. He asked whether the U.S. really expects to double its trade with India in three years.

Shiner said that this is a time of opportunity in the bilateral relationship; we suggested a five-year time frame to double trade and the Indians countered with three. Noting that PM Singh's core team was skillful at using trade and investment to drive reforms, she thought the prospects of gains could motivate India's industry to be more supportive of opening. Discussing Japanese aid, Yabunaka commented that the Indians were more interested in looking at express rail transport for goods, especially for export, than for transportation of people.

¶10. (C) On the civilian nuclear arrangement and export control policy, Yabunaka recognized we need to put this in broader perspective. Within the Nuclear Suppliers Group, Yabunaka said Japan's position is to raise questions clarifying the agreement terms and what safeguards would apply, not necessarily to oppose the agreement. If the U.S. lifts export controls, Japan will want to consult and coordinate on a response but will first have to finish a domestic review to determine how this would affect its own catch-all controls. Shiner said our improved relations are the biggest indicator of India repositioning itself away from the G-77 and the Soviet sphere. She said the agreement presents some problems and the USG is trying to resolve the "bumps" on the export control issue. One suggestion is to create a white list of products - items that are no longer sensitive. She expressed appreciation for Japan's constructive attitude and offered to arrange a briefing for the GOJ.

Energy Security

¶11. (C) Yabunaka commented that Japan is very dependent on Middle East sources for petroleum, which was also linked to Iran issues. Recalling that Japan had responded very quickly with stock releases under the IEA, he said that good coordination remained very important because of the global impact. In his view, it was a question more of market stability than of where a country obtained its energy supplies. Shiner wondered how the issue would play out in the G-8, with the U.S. hoping to flesh out core IEA principles - diversity of supply, market pricing, new technologies - but Russia more focused on control of markets. G-8 issues on critical infrastructure and transportation security were still not fully developed, she noted, and new consumers like China needed to follow international principles, particularly on strategic reserves.

G-8 Outreach

¶12. (SBU) Yabunaka asked if all five of the G-8 outreach countries would be invited to the leaders' meeting. Shiner confirmed that was likely but noted the USG did not want to set a precedent for the same countries attending each year. Yabunaka said it was important to ensure the leaders had enough time for their G-8 meetings, so a balance was needed between those meetings and outreach.

Visit of Chinese President Hu

¶13. (C) Shiner told Yabunaka that trade - especially IPR-related issues - and exchange rate policy were the two major issues between China and the U.S. going into the visit of PRC President Hu. Senators Schumer and Graham returned from China having seen some evidence that China was beginning to look at domestic structural issues that might raise the low demand for imports. Although she emphasized the importance of remaining constructive, she thought it would be difficult to make progress on these issues.

Civil Aviation

¶14. (SBU) While acknowledging that civil aviation was handled by the Ministry of Land, Infrastructure and Transportation rather than MOFA, Shiner expressed frustration at the slow pace of progress in negotiations. Embassy Minister Ihara said he understood that a number of practical problems had made it difficult for Japan to find reciprocal gains. He offered to look into the issue.
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